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FEB - 2 2007

BEFORE THE FEDERAL ELECTION COMMISSION

COMMISSION  
SECRETARIAT

In the Matter of )

2007 FEB -2 P 12: 28

MUR 5848 )

CASE CLOSURE UNDER THE

FRIENDS FOR HARRY REID )

ENFORCEMENT PRIORITY SYSTEM

**SENSITIVE**

**GENERAL COUNSEL'S REPORT**

Under the Enforcement Priority System, matters that are low-rated

are forwarded to the Commission with a recommendation for dismissal.<sup>1</sup> The

Commission has determined that pursuing low-rated matters compared to other higher rated matters on the Enforcement docket warrants the exercise of its prosecutorial discretion to dismiss these cases.

The Office of General Counsel scored MUR 5848 as a low-rated matter. In this case, the allegations concerned the payment of a combined \$3,300 in bonuses, paid over three separate calendar years, by the Friends for Harry Reid campaign committee to support personnel employed by the Ritz-Carlton Hotel located in Washington, D.C., where Senator Harry Reid resides.<sup>2</sup> The complainant contends that the payments were an unlawful conversion of campaign funds for personal use in violation of 2 U.S.C. § 439a(b).

Additionally, the complainant alleges that the Friends for Harry Reid filed false disclosure reports, since the "bonus" payments were made by and then reported through the committee.

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<sup>2</sup> The payments at issue were allegedly made out to the REC Employee Holiday Fund (i.e., a Christmas fund that collects money for gifts, bonuses, and a party for hotel support staff) and labeled as either "salary" or "contribution" on the Friends of Harry Reid's Year End disclosure reports for 2002, 2004, and 2005

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1 The Friends for Harry Reid responds to the complaint by denying that the “bonus”  
2 payments were a personal use of campaign funds. Instead, the committee claims that the  
3 “bonus” payments were a form of a gift of nominal value that was made on a special  
4 occasion (i.e., Christmas), as permitted in 11 C.F.R. § 113.1(g)(4). In support of this, the  
5 Committee points out that the payments were in the amounts of \$600 (2002), \$1,200 (2004),  
6 and \$1,500 (2005), and these amounts benefited a large staff of personnel at the  
7 condominium. Additionally, the Committee maintains that the treasurer’s use of the terms  
8 “contribution” and “salary” for the purpose of the committee’s disbursements for the “bonus”  
9 payments were reasonable given that the condominium staff provided services required to  
10 meet the work-related and campaign-related demands placed on Senator Reid. Finally, the  
11 committee notes that the payments at issue were made after it first received advice from its  
12 attorney.

13 The total dollar amount of the activity related to the alleged violations at issue is de  
14 minimis.<sup>3</sup> Thus, in reviewing the merits of MUR 5848 in furtherance of the Commission’s  
15 priorities and resources, relative to other matters pending on the Enforcement docket, the  
16 Office of General Counsel believes that the Commission should exercise its prosecutorial  
17 discretion and dismiss the matter. *See Heckler v. Chaney*, 470 U.S. 821 (1985).

#### 18 **RECOMMENDATION**

19 The Office of General Counsel recommends that the Commission dismiss MUR  
20 5848, close the file effective two weeks from the date of the Commission vote, and approve  
21 the appropriate letters. Closing the case as of this date will allow CELA and General Law

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<sup>3</sup> It should be noted that Senator Reid indicated in his response that he reimbursed his campaign committee \$3,300 back in October 2006

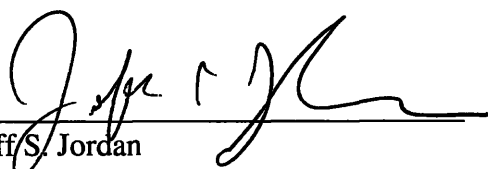
and Advice the necessary time to prepare the closing letters and the case file for the public record.

James A. Kahl  
Deputy General Counsel

2/2/07  
Date

BY:

  
Gregory R. Baker  
Special Counsel  
Complaints Examination  
& Legal Administration

  
Jeff S. Jordan  
Supervisory Attorney  
Complaints Examination  
& Legal Administration

Attachment:  
Narrative in MUR 5848

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5 **MUR 5848**

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7 **Complainant:** Michael Boos for Citizens United

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9 **Respondents:** Friends for Harry Reid and  
10 Cliff Beadle, as Treasurer  
11 Senator Harry Reid  
12

13  
14 **Allegations:** The complainant alleges that the Friends of Harry Reid ("Committee")  
15 made payments totaling \$3,300, spread over three separate calendar years, to support  
16 staff personnel employed by the Ritz-Carlton Hotel located in Washington, D.C., where  
17 Senator Harry Reid resides. The complaint contends that the payments were a personal  
18 use of the Committee's campaign funds, since they were made to a fund, which supports  
19 staff at Senator Reid's personal residence. Specifically, the payments at issue were  
20 allegedly made out to the REC Employee Holiday Fund (i.e., a Christmas fund through  
21 which condominium owners provide gifts, bonuses, and a party for building support staff)  
22 and labeled as either "salary" or "contribution" on the Friends of Harry Reid's Year End  
23 disclosure reports for 2002, 2004, and 2005. Additionally, the complainant alleges that  
24 the Committee filed false Year End disclosure reports, since the "bonuses" the  
25 Committee reported were listed as legitimate campaign expenditures.  
26

27 **Responses:** The respondents responded by denying that the disbursements by the  
28 Committee were a personal use of campaign funds. The Committee noted that under the  
29 Commission's regulations it was permitted to make gifts of a nominal value for special  
30 occasions, such as a holiday. Moreover, the complainant incorrectly assumed that the  
31 services provided by the Ritz-Carlton support staff were not related to Senator Reid's  
32 campaign-related and official work related duties.  
33

34 **General Counsel's Note:** It should be noted that the Committee claims that the  
35 disbursements were made after it first consulted with its campaign finance attorney.  
36 Additionally, Senator Reid reimbursed his committee for the \$3,300 disbursement back  
37 in October 2006.  
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39 **Date complaint filed:** October 18, 2006  
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41 **Response filed:** December 18, 2006

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